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DIVISION OF WORKFORCE DEVELOPMENT

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Subject: Disposition of Surplus Assets from Expired Programs

1. **Purpose:** To provide policy to the Local Workforce Investment Boards (LWIB) regarding the disposition of surplus equipment and supplies from expired programs.

2. **Background:** Regulations for Governmental Organizations:

29 CFR 97.3 defines equipment as “tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.”

29 CFR 97.32(e) differentiates between two classifications of surplus equipment and the corresponding disposition methods. Equipment with a per unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no obligation to the federal awarding agency. Equipment with a per unit fair market value of \$5,000 or more may be retained or sold and the federal awarding agency shall have a right to an amount of the proceeds equal to the federal awarding agency’s share of the equipment.

29 CFR 97.3 defines supplies as “all tangible personal property other than equipment...” In more simple terms, all tangible goods purchased with a per unit price of less than \$5,000 within the given award are considered to be supplies.

29 CFR 97.33(b) states, “If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or subgrantee shall compensate the awarding agency for its share.” If the residual inventory of unused supplies has an aggregate fair market value of less than \$5,000, the supplies can be sold or otherwise disposed of and there is no obligation owed to the federal awarding agency.

Regulations for Non-Governmental Organizations:

29 CFR 95.2(n) describes equipment as “tangible, nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.” It further states, “Equipment includes, but is not limited to, equipment acquired before the publication of these regulations and equipment transferred from prior years.”

29 CFR 95.34(g) requires recipients who no longer need equipment with a per unit fair market value of \$5,000 or more to utilize the equipment for other activities when practical and compensate the federal awarding agency in an amount equal to the federal awarding agency’s share of the equipment. If the item is to be disposed of, the federal awarding agency must be contacted and instructions for disposal shall be forthcoming in 120 days after the recipient’s request.

29 CFR 95.2(l) defines supplies as “all personal property excluding equipment, intangible property, and debt instruments...”. In more simple terms, all tangible goods purchased with a per-unit price of less than \$5,000 within the given award are considered to be supplies.

29 CFR 95.35 requires the recipient to compensate the federal awarding agency for its share if there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects. If the residual inventory of unused supplies has an aggregate fair market value of less than \$5,000, the supplies can be sold or otherwise disposed of and there is no obligation owed to the federal awarding agency.

3. **Substance:** When a LWIB decides to dispose of surplus equipment or supplies purchased with an award from a program that has expired, they must first determine whether the asset is classified as equipment or supplies and then apply the pertinent guidelines. In all but a very limited number of circumstances, the assets to be disposed of will qualify as supplies.

Sufficient records must be maintained to determine the amount and value of unused supplies on hand. Steps should be taken to maximize the realized amount of proceeds from the disposition of the assets. The net proceeds from the sale of the surplus supplies shall be utilized to supplement a current, similar, federal program when possible.

While these proceeds are not Program Income, they shall be reported to the DWD on Contract Progress Reports in a manner similar to that of Program Income.

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Those LWIBs who fail to properly report and expend the proceeds from the disposal of surplus supplies from expired programs may be required to forfeit the said proceeds to the state, at the DWD Director's discretion.

4. **Action:** This information should be distributed to appropriate staff.
5. **Contact:** If you have questions, contact Steve Kraus at (573) 751-7797 or my office at (573) 751-3349.

Rick Beasley, Director

RB/RM/BR

- c: DWD Admin Group
 DWD Central Office Managers
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